aviso wealth

OnPoint Managed Portfolios

Fiera Balanced

Quick facts

Inception date:
November 30, 2018

Asset class:
Balanced

Minimum investment:
$100,000

Avg. number of holdings:
20–35

Investment manager:
Fiera Capital

Investment manager assets under management:
$158B

Portfolio risk:

Medium

OnPoint Managed Portfolios are distributed by *Credential Qtrade Securities Inc.*

What does the Portfolio invest in?

The portfolio invests in a diversified portfolio of Canadian and foreign equity securities, fixed-income securities, exchange traded funds (ETFs), and money market instruments and/or cash equivalents.

Asset allocations

Asset class	Min	Target	Current	Max
Canadian equities	15%	30%	28%	45%
Non-Canadian equities	15%	30%	32%	45%
Fixed income	30%	37%	37%	50%
Cash & cash equivalents	1%	3%	3%	10%

- Equities: the minimum market capitalization will be $1 billion dollars (CAD and/or USD equivalent) at the time of purchase and invested in at least six out of 11 GICS (Global Industry Classification Standard Sectors)
  - Canadian equities: Target 5–15 securities
  - Non-Canadian equities: Target 15–20 securities
- Fixed income: Fiera Core Plus Canadian Bond Universe Fund will be used

Suitable for investors whose objective is to achieve long-term capital growth, and is not intended for investors with a short-term investment horizon.

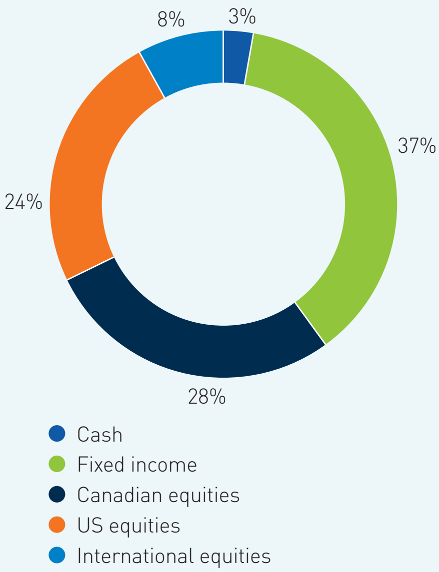
Top ten holdings (excluding cash and cash equivalents) %

	Holding	%
1.	Fiera Core Plus Canadian Bonds Universe Fund	37.0
2.	Franco Nevada Corp	4.2
3.	Cdn Nat'l Railway	3.9
4.	Danaher Corp	3.7
5.	Visa Inc	3.7
6.	Toronto Dominion Bk	3.4
7.	Telus Corp	3.1
8.	Thomson Reuters Corp	2.9
9.	S&P Global Inc	2.8
10.	Brookfield Renewable	2.6

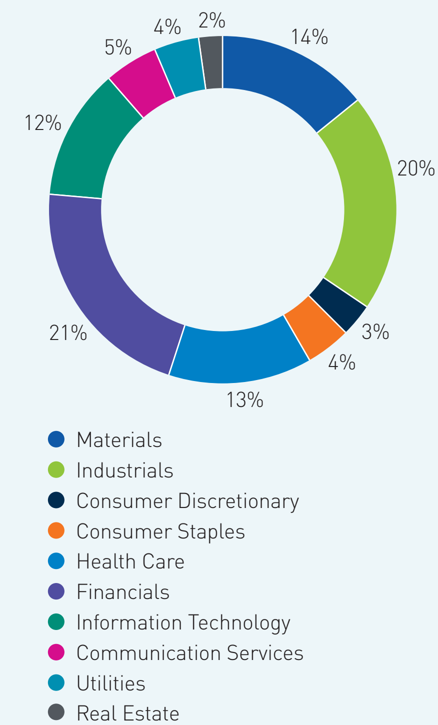
Performance

	QTD	YTD	1 yr	2 yr	3 yr	Since Inception (annualized)
Portfolio	3.3%	-11.1%	-11.1%	-1.6%	2.7%	5.1%
Benchmark	4.2%	-9.9%	-9.9%	1.0%	4.1%	5.8%

Asset allocation[1]

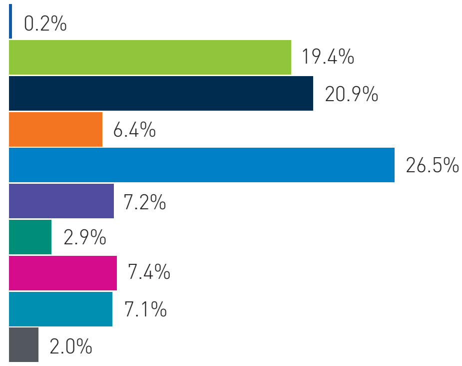


Equities sector allocation[1,2]



Average market cap. $252.0B

Fixed income allocation



Credit quality	Portfolio (%)
AAA	19.4
AA	26.2
A	12.6
BBB	16.7
Below BBB	7.2
Non Rated Securities	17.8
Cash and Money Market	0.2.
	100.0

- Cash & Money Market
- Federal Bonds
- Provincial Bonds
- Municipal Bonds
- Investment Grade Corporate Bonds
- High Yield Corporate Bonds
- Commercial Mortages
- Private Debt
- Real Estate Financing
- Infrastructure Debt

Current Yield: 4.52%

Repositioning for Q1 2023

Sold or reduced positions (-2.0%)

- Sold Alphabet
- Trimmed Nike
- Trimmed Visa
- Trimmed cash

Bought or increased positions (+2.0%)

- Increased HDFC Bank
- Increased Fiera Core Plus Canadian Bond Universe Fund

Rationale

- **Alphabet:** Preferred the opportunity of investing more capital in HDFC more than owning Alphabet.
- **Nike:** Brought weight back down in line with the model after its strong performance.
- **Visa:** Brought weight back down in line with the model after its strong performance.
- **HDFC Bank:** Increased weight to make it a more material position.
- **Fiera Core Plus Canadian Bond Universe Fund:** Topped up the Portfolio's bond weight to be slightly overweight.

Quarterly **commentary**

Market Review

As we neared the end of what was a very volatile 2022, equity markets rallied in the fourth quarter on the back on improving market sentiment. Despite continued recession fears, improving inflation data led to the market seeing a potential end to the rate hike cycle. The strongest performing sectors were Industrials (12.5%) and Energy (11.9%), with Consumer Discretionary (-1.9%) and Communication Services (0.9%) the biggest laggards.

Attribution Analysis

Equities

Among the leading contributors to performance over the quarter were CNH Industrial and CAE. CNH Industrial produces and sells agricultural and construction equipment to end markets around the world. The company benefits from their operational strength and strong and expansive network of dealers and distributors. Following concern earlier in the year that companies may re-evaluate their capital expenditure budgets, the stock rebounded to end the year as the market anticipates strong demand to continue. CAE provides training solutions based on simulation technology and integrated training services for civil aviation, defense and security, and healthcare customers. The company benefits from high barriers to entry, strong recurring revenue and a seasoned management team. After negative performance earlier in the year following the disclosure of losses in their defense business, the stock rebounded strongly to end the year.

Significant detractors over the quarter were CCL Industries and Ritchie Brothers Auctioneers. As one of the largest global label manufacturers, CCL Industries profits from an extensive network of facilities serving Consumers Packaged Goods worldwide. It has built a strong operating culture, focused on costs and providing autonomy to business units to achieve their goals. The company has displayed discipline in capital allocation and holds a good track record of growing earnings per share over time. After rebounding in the summer as they were able to pass through inflationary pressures via price increases, the stock came down during the quarter as the market expects potential slowing demand from large consumer goods companies. Ritchie Bros. Auctioneers Incorporated auctions industrial equipment, operating through various locations around the world. The Company sells, through unreserved public auctions, used and unused industrial equipment, including equipment used in the construction, transportation, mining, forestry, petroleum, and agricultural industries. The company benefits from their strong reputation as a trusted auction house in serving their global network of users. During the quarter, Ritchie Bros announced the acquisition of US based IAA Inc. in what will be their largest acquisition ever. IAA is also in the auction market but with a focus on damaged or totaled vehicles serving primarily insurers and rental companies. Although this would be a new complementary vertical for the company and also provide significant cost savings, the market is trying to better assess the strategic merits of this acquisition.

We sold out Alphabet during fourth quarter. While we continue to like Alphabet long term, we would feel that there are better opportunities to improve the overall quality of the Portfolio by adding to existing names like HDFC.

Fixed Income

The Bank of Canada hiked rates a cumulative 100 bps (1/100th of a percent) over two meetings in the quarter, increasing the overnight rate to 4.25%. The Bank raised their policy rate by 400bps in 2022, marking one of their most aggressive tightening cycles ever. Taming inflation continues to be the primary focus of central bankers with the potential for slower or contracting economic growth as collateral damage. In the accompanying remarks to the latest policy announcement, the Bank retained optionality as they move to data dependency going forward. Their statement indicated they will: "assess how tighter monetary policy is working to slow demand, how supply challenges are resolving, and how inflation and inflation expectations are responding." We will soon learn if 400 bps of rate increases over nine months is enough to tame inflation, as the long and variable lags of monetary policy begin to filter through to the real economy.

Government of Canada 10-year bond yields increased from 3.17% to an intra-quarter peak of 3.68%, before ending the year at 3.30%. This is notably below the Bank's policy rate and is resulting in an inverted yield curve whereby shorter-term rates are higher than longer term rates. The former is anchored by policy while the latter reflects the eventual taming of inflation and a more ominous outlook for growth. The strategy had longer duration than the benchmark over the quarter, which was a detractor to relative performance.

Spreads on Canadian corporate securities with maturities of 5 and 10 years narrowed by 12 bps. Those with maturities of 30 years narrowed by 8 bps. Long-term securities were the best performers given their greater sensitivity to changes in yield and higher carry. Provincial bond spreads also narrowed but to a lesser degree than corporates. The spread narrowing occurred over the last two months of the year as risk-sentiment improved across asset classes. The Canadian Core Plus strategy was underweight to Canadian corporate bonds; however it had exposure to US high

Quarterly **commentary**

yield bonds where spreads were about 84 bps narrower on the quarter, benefitting the performance.

Within the expanded opportunity set, private credit strategies added value over the quarter with positive returns across private corporate, real estate and commercial mortgage strategies. Overall, the Portfolio benefited from the private asset allocation in the strategy as it outperformed the public Canadian fixed income market.

The strategy is neutral weight exposure to Canadian corporates and underweight provincial bonds, while being modestly overweight the municipal sector at the end of the quarter. The Portfolio is slightly above its neutral 'plus' target allocation of 25% across both public investment and non-investment grade asset classes, as well as private credit. The strategy has a 75-bps yield advantage relative to the benchmark at the end of the quarter.

Outlook

IIn the fourth quarter, indicators flagging a slowing economy intensified. The Conference Board's US Leading Economic Indicator index was down 4.5% YoY as of November 2022. Historically, similar YoY declines have ultimately resulted in an economic contraction. Additionally, the acceleration of the yield curve inversion, although not a perfect predictor, has a relatively strong track record of preceding recessionary periods.
The Canadian and US labour markets have remained strong; however, we expect the unemployment rate to rise as restrictive monetary policy continues to work its way through the real economy and take bite. We anticipate the year will be one defined by volatile price action and quickly shifting macro narratives.

Given these risks and the current level of interest rates, we will maintain the Portfolio duration modestly longer than that of the Index. In addition, we remain focused on 10-year bonds as long-term bonds are among the most expensive in the developed world. Given the economic outlook, we will continue to be selective and prudent in corporate bonds where relative value opportunities are present and underweight provincial bonds. We believe the allocations to 'plus' sectors will provide diversification and yield enhancement in market that is expected to be volatile over the next year.

The equity component continues to be composed of high-quality businesses that can withstand tough times. The Portfolio is currently trading at an attractive discount to its intrinsic value. Both of these elements should position the Portfolio well for long-term compounding of returns.

About Aviso Wealth

Owned by credit unions, Aviso Wealth Inc. is one of Canada's largest independent wealth management firms, serving virtually all of Canada's credit unions and a range of independent financial organizations.

With approximately $100 billion of assets under administration and management, Aviso Wealth has the resources to bring compelling products and services to credit unions and their members, along with the scale, stability and financial strength of an established national wealth manager.

You can invest with confidence, with Aviso Wealth.

Investment manager overview

With more than $180 billion in assets under management, independent firm Fiera Capital is one of Canada's leading investment managers recognized for its excellence in portfolio management, innovative and personalized investment solutions, and its ability to surpass client expectations. Fiera offers a unique expertise in both traditional and absolute return investment strategies.

Management style

Canadian equities (GARP[3]) | Global equities (GARP[3]) | Fixed income (Core Plus)

Investment philosophy

Fiera targets to deliver a superior portfolio by investing in a focused number of companies run by great management teams diversified across global regions and industries. In addition, the manager also believes in active bond management that adapts to changes in the economic, financial and political environments to deliver value.

Investment process and risk controls

Fiera conducts a thorough fundamental research to implement their equity strategy. They believe that focusing on a concentrated model of 25 equity companies enables them to become familiar with all critical aspects of a business. The manager follows 10 internally developed company criteria which consist of both qualitative and quantitative metrics.

The fixed income component employs four types of analysis (fundamental, technical, sentiment and seasonality) around a well disciplined and structured process that invests in high quality securities. Specific risk metrics are calculated periodically to minimize the default risk, and to maintain the calibration of each strategy within the overall risk budget of the portfolio.

Key strengths

- Disciplined investment approach based on in-depth fundamental analysis
- Rigorous research and risk management process
- Superior and consistent performance
- Committed to integrating environmental, social and governance (ESG) criteria into the firm's investment processes, and how they do business
- Fiera is a United Nations Principles for Responsible Investment (PRI) signatory[4]

[1] As of January 9, 2023 after quarterly rebalancing unless otherwise stated.

[2] Dividend Yield (Equities) 1.82%

[3] GARP (Growth at a reasonable price)

[4] Tobacco and weapons companies are screened-out of portfolios. Tobacco: Exclude tobacco companies and companies that derive a material portion of their revenue from tobacco-related products such as filters, rolling papers or packaging, or from the sale of tobacco or tobacco-related products. Applies to equity holdings only. Weapons: Exclude companies that derive revenue from military contracts that violate International Humanitarian Law (IHL), and nuclear weapons contracts; companies that derive a material portion of their revenue from the manufacture of legal weapons systems and/or tailor-made components for these weapons systems; and companies whose activities are connected with the manufacturing of automatic or semi-automatic weapons intended for civilian use, or derive a material portion of their revenue from the sale or distribution of such weapons. Applies to equity holdings only.

Indicated rates of return are calculated using the time-weighted rate of return methodology for the period ended, December 31, 2022, and do not take into account management expenses, custodial fees, account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns.

Benchmark Index: 40% FTSE TMX Canada Universe Bond/30% S&P/TSX 60/30% MSCI World Net (CAD).

Please be advised that the information contained herein does not constitute investment advice and it should not be relied on as such. Past performance is no guarantee of future results. The information contained in this report was obtained from sources believed to be reliable; however, we cannot guarantee that it is accurate or complete.

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Aviso Wealth Inc. ('Aviso') is a wholly owned subsidiary of Aviso Wealth LP, which in turn is owned 50% by Desjardins Financial Holding Inc. and 50% by a limited partnership owned by the five Provincial Credit Union Centrals and The CUMIS Group Limited.

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